LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 7326 **DATE PREPARED:** Feb 4, 2002
BILL NUMBER: SB 513 **BILL AMENDED:** Feb 4, 2002

SUBJECT: International lottery games.

FISCAL ANALYST: Jim Landers
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FUNDS AFFECTED: **GENERAL**
X **DEDICATED**
FEDERAL

IMPACT: State

Summary of Legislation: (Amended) The bill authorizes the Lottery Commission to participate in an international lottery. The bill also requires the Lottery Commission to adopt rules governing the establishment, implementation, and operation of a lottery game before entering an agreement with a jurisdiction other than a state for a game that originates and is operated under foreign law.

Effective Date: July 1, 2002.

Explanation of State Expenditures: (Revised) The bill would require the Lottery Commission to adopt rules governing the establishment, implementation, and operation of a multi-jurisdiction lottery game prior to entering into an agreement with another jurisdiction other than a state, if that lottery game originates and is operated under foreign law. These rules must include information required under current law for Commission rules to establish, implement, and operate a lottery game. Such information includes type of lottery games, ticket prices, size of prizes, method of selecting winners, ticket purchase locations, compensation of retailers, and system of internal audits. In addition, the bill prohibits such rules from being emergency rules.

Explanation of State Revenues: (Revised) The bill would expand current law to authorize the Lottery Commission to participate in multi-jurisdictional lotteries, instead of simply multi-state lotteries. This would allow the Commission to participate in international lottery arrangements if it is in the best interest of the Hoosier Lottery. Participation in an international lottery could potentially increase total lottery ticket sales by the Hoosier Lottery and, as a result, increase surplus Lottery revenue to the state. However, the potential impact of an international lottery is unknown at this time.

Background: Currently, the Lottery Commission participates in the multi-state *Powerball* game. This game is operated by 22 states via the Multi-State Lottery Association (MUSL). The MUSL is a non-profit association that is owned and operated by the member state lotteries. The MUSL operates three multi-state games, the largest of which is *Powerball*. The other major multi-state lottery is *The Big Game* operated by seven states, including Illinois and Michigan. The premise of the multi-state lottery is that it allows a state to access larger jackpots than would otherwise arise under its own lottery games. As a result, the format serves to increase lottery ticket sales within participating states. Under the *Powerball* arrangement, receipts from tickets sold in Indiana go to the Hoosier Lottery. *Powerball* sales in Indiana totaled $97.1 M in FY 2000 and $100.5 M in FY 2001. *Powerball* sales accounted for 16.6% of total ticket sales in FY 2000 and 18.5% of total ticket sales in FY 2001. The Lottery Commission estimates that *Powerball* sales will total $106.0 M in FY 2002.

Reportedly, a number of states are currently investigating an international lottery which would include European countries, Australia, and Mexico. Ten to 12 states have committed resources to the initial process of establishing the lottery, and another 10 to 12 states are considering participation in such a lottery. While plans were to possibly begin operation of the international game by the end of 2002, efforts have scaled back since September 11th. The premise of the international lottery would be the same as for multi-state lotteries - jackpot size. However, potential jackpots for an international game could be much larger than those that have arisen with the multi-state games. As a result, an international game ultimately could have a deleterious impact on *Powerball* and other multi-state lottery sales.

Under current statute, surplus Lottery revenue is first transferred to the Teachers' Retirement Fund (TRF) and the Pension Relief Fund (PRF). Once these transfers are made, surplus Lottery revenue is then distributed to the Lottery and Gaming Surplus Account (LGSA) within the Build Indiana Fund. The table below shows actual and projected Lottery revenue for FY 2000 to FY 2003 and the required statutory distributions.

Surplus Lottery Revenue & Distributions (in Millions)*

Revenues & Distributions	**FY 2000 (Actual)**	**FY 2001 (Actual)**	**FY 2002 (Projected)**	**FY 2003 (Projected)**
Surplus Lottery Revenue	$173.3	$160.0	$155.0	$155.0
TRF Transfer	($30.0)	($30.0)	($30.0)	($30.0)
PRF Transfer	($30.0)	($30.0)	($30.0)	($30.0)
Surplus Revenue to the LGSA	$113.3	$100.0	$95.0	$95.0

*Updated as of 10/25/01.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Lottery Commission.

Local Agencies Affected:

Information Sources: Jack Ross, Director, Hoosier Lottery, (317) 264-4946.